

**Economic Development and Industrial
Corporation of Boston**

Financial Statements
and
Auditors' Report

June 30, 2013 and 2012



Daniel Dennis & Company LLP
Certified Public Accountants

990 Washington Street, Suite 308A
Dedham, MA 02026
(617) 262-9898
FAX: (617) 437-9937

Web Site: <http://www.danieldennis.com>

**Economic Development and Industrial
Corporation of Boston**

Contents

Independent Auditors' Report	1
Management Discussion and Analysis	3
Statements of Net Position	10
Statements of Revenues, Expenses and Changes in Net Position	11
Statements of Cash Flows	12
Notes to Financial Statements	14
Combining Schedule of Revenues and Expenses	27



Daniel Dennis & Company LLP

Certified Public Accountants

Independent Auditors' Report

The Board of Directors

Economic Development and

Industrial Corporation of Boston

We have audited the accompanying financial statements of Economic Development and Industrial Corporation of Boston (EDIC), a quasi-public corporation and component unit of the City of Boston, which comprise the statements of net position as of June 30, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to EDIC's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of EDIC's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EDIC as of June 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The combining schedule of revenues and expenses for the year ended June 30, 2013 on page 27 is presented for purposes of additional analysis and is not a required part of the financial statements.

The combining schedule of revenues and expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, combining schedule of revenues and expenses is fairly stated, in all material respects, in relation to the financial statements as a whole.

Daniel Dennis + Company LLP

November 13, 2013

Economic Development and Industrial Corporation of Boston
Management's Discussion and Analysis
(Unaudited)
June 30, 2013

The following is the management's discussion and analysis of the financial performance of the Economic Development and Industrial Corporation of Boston (EDIC) for the fiscal year ended June 30, 2013. This discussion is a narrative overview and analysis of EDIC's financial operations and should be read in conjunction with the accompanying financial statements, which begin on page 10.

The Corporation as a Whole

The Economic Development and Industrial Corporation of Boston (EDIC), a quasi-public corporation, is a component unit of the City of Boston and an instrumentality of the Commonwealth of Massachusetts. The purpose of EDIC is to create and retain industrial companies and jobs in Boston's neighborhoods for Boston residents, including minorities and women, through economic development, industrial real estate management, financing, and job training. EDIC is exempt from federal income taxes as a political subdivision under Section 115 of the Internal Revenue Code.

EDIC's Office of Jobs and Community Services (JCS) is a multi-service agency that receives federal, state, and city funds to run a comprehensive system of education, job training, job placement, counseling, human services, and other support services for Boston residents.

EDIC's major sources of revenue during the year ended June 30, 2013 include funds generated from lease operations at its Boston Marine Industrial Park (BMIP) and grants/contracts with governmental agencies for JCS activities.

Basic Financial Statements

The basic financial statements are prepared using proprietary fund accounting, which is the same basis of accounting used by private-sector business enterprises. Under this method of accounting, the accrual basis of accounting is used. Revenue is recorded when earned, and expenses are recorded when incurred. The basic financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. This report also includes footnotes accompanying the statements to fully explain the activities reported in them.

The statement of net position presents information on the assets and liabilities of EDIC. The difference between the two is net position. Over time, increases and decreases in net position may be an indicator of the financial stability of EDIC.

The statement of revenues, expenses, and changes in net position reports the operating revenues and expenses of EDIC for the fiscal year. The difference (increase or decrease in net position) then determines the net change in net position for the fiscal year. This change in net position added to last year's net position will reconcile to the total net position reported at year-end on the statement of net position.

The statement of cash flows reports activity of cash and cash equivalents during the fiscal year resulting from operating activities, investing activities, and capital and related financing activities. The net result of these activities is reconciled to the cash and cash equivalent balances reported at year-end on the statement of net position. This statement is prepared on a cash basis.

Economic Development and Industrial Corporation of Boston
 Management's Discussion and Analysis - *Continued*
 June 30, 2013

Financial Highlights

- Assets exceeded liabilities by \$31,349,298 at the close of the fiscal year.
- Revenues increased by \$1,009,167 or 3% from the previous fiscal year.
- Expenses increased by \$346,834 or 1% from the previous fiscal year.
- Net position increased \$3,604,207 from the previous fiscal year.

Statement of Net Position

The following table shows assets, liabilities and net position for the years ended June 30, 2013 and 2012, and the related fluctuations in these accounts between these two fiscal years:

	2013	2012	<i>Increase/ (Decrease)</i>
<i>Assets</i>			
Cash and cash equivalents	\$ 13,551,515	\$ 10,670,741	\$ 2,880,774
Cash and cash equivalents - restricted	-	455,804	(455,804)
Accounts receivable (net)	2,234,312	2,172,299	62,013
Grants/contracts receivable	4,383,295	3,285,991	1,097,304
Other current assets	420,799	377,316	43,483
Capital assets	70,824,717	69,875,035	949,682
Accumulated depreciation	(37,862,088)	(36,541,814)	(1,320,274)
Debt issuance costs - net	<u>71,791</u>	<u>86,833</u>	<u>(15,042)</u>
Total assets	<u>\$ 53,624,341</u>	<u>\$ 50,382,205</u>	<u>\$ 3,242,136</u>
<i>Liabilities</i>			
Accounts payable and accrued expenses	\$ 2,809,207	\$ 2,944,281	\$ (135,074)
Grant/contracts payable	2,622,721	1,937,657	685,064
Long-term debt (inclusive of the related short-term portion)	15,808,803	16,919,655	(1,110,852)
Deferred revenue	107,523	134,894	(27,371)
Other liabilities	<u>926,789</u>	<u>700,627</u>	<u>226,162</u>
Total liabilities	<u>\$ 22,275,043</u>	<u>\$ 22,637,114</u>	<u>\$ (362,071)</u>

Economic Development and Industrial Corporation of Boston
Management's Discussion and Analysis - Continued
June 30, 2013

	2013	2012	<i>Increase/ (Decrease)</i>
<i>Net Position</i>			
Net investment in capital assets	\$ 17,153,826	\$ 16,869,370	\$ 284,456
Restricted for grant programs	703,526	703,526	-
Unrestricted	<u>13,491,946</u>	<u>10,172,195</u>	<u>3,319,751</u>
Total net position	<u>31,349,298</u>	<u>27,745,091</u>	<u>3,604,207</u>
Total liabilities and net position	<u>\$ 53,624,341</u>	<u>\$ 50,382,205</u>	<u>\$ 3,242,136</u>

Explanations for significant fluctuations noted in the above table are as follows:

Cash and Cash Equivalents - Unrestricted

This increase is the net result of a decrease in restricted cash and cash equivalents, fiscal year 2013 net income, and increases in capital asset acquisitions and principal payments on debt. These fluctuations are highlighted on the statement of cash flows on pages 12 and 13.

Cash and Cash Equivalents - Restricted

This decrease is a result of the fiscal year 2013 interest payments on bond debt. These funds represent bond proceeds restricted to pay the first three year's interest on the fiscal year 2010 bond debt.

Grants/Contracts Receivable

This increase is primarily the result receivables totaling approximately \$1,029,000 related to three multi-year grant programs that started throughout fiscal year 2012, but having significantly more activity in fiscal year 2013 due to the programs being run throughout this entire fiscal year.

Capital Assets

This increase is primarily related to significant environmental, engineering, and security projects that were capitalized during fiscal year 2013.

Accumulated Depreciation

This increase is the result of normal depreciation of capital assets, taking into consideration additional capital assets being placed in service each fiscal year.

Grants/ Contracts Payable

This increase is the result of year end timing of corresponding payments to community based organizations.

Long-Term Debt

This decrease is the result of normal principal payments on debt.

Economic Development and Industrial Corporation of Boston

Management's Discussion and Analysis - *Continued*

June 30, 2013

Other Liabilities

This increase is the result of a tenant security deposit totaling approximately \$250,000 received in fiscal year 2013 for the commitment of future tenant funded improvements at the BMIP.

Net Investment in Capital Assets

This increase is the result of a net decrease in capital assets after depreciation totaling approximately \$371,000, a decrease in bond proceeds held in escrow totaling approximately \$456,000 and a decrease of outstanding debt related to capital assets totaling approximately \$1,111,000.

Net Position Unrestricted

This increase is the net result of an increase in net investment in capital assets, as noted above, and an increase in total net position totaling approximately \$3.6 million for the year ended June 30, 2013.

Statement of Revenues, Expenses, and Changes in Net Position

The following table shows revenues and expenses for the years ended June 30, 2013 and 2012, and the related fluctuations in these accounts between these two fiscal years:

	2013	2012	<i>Increase/ (Decrease)</i>
<i>Revenue</i>			
Grant/contract income	\$12,462,982	\$13,667,743	\$ (1,204,761)
Contributions	1,152,052	1,258,922	(106,870)
Rental income	19,082,257	17,967,547	1,114,710
Other income	<u>1,496,923</u>	<u>290,835</u>	<u>1,206,088</u>
Total revenues	<u>34,194,214</u>	<u>33,185,047</u>	<u>1,009,167</u>
<i>Operating Expenses</i>			
Salaries and fringe benefits	12,193,353	12,580,939	(387,586)
Grants/contracts to related party and community based organizations	7,485,307	7,051,506	433,801
Security and maintenance	1,092,541	1,119,471	(26,930)
Professional fees	3,161,296	3,058,208	103,088
Bad debt expense	693,422	433,346	260,076
Depreciation	1,320,273	1,235,664	84,609
Supplies and services	3,745,527	3,661,454	84,073
Rental expense	421,753	409,648	12,105
Interest expense/bank service costs	411,975	624,544	(212,569)
Other expenses	<u>64,560</u>	<u>68,393</u>	<u>(3,833)</u>
Total expenses	<u>30,590,007</u>	<u>30,243,173</u>	<u>346,834</u>
Change in net position	3,604,207	2,941,874	662,333
Net position at beginning of year	<u>27,745,091</u>	<u>24,803,217</u>	<u>2,941,874</u>
Net position at end of year	<u>\$31,349,298</u>	<u>\$27,745,091</u>	<u>\$ 3,604,207</u>

Economic Development and Industrial Corporation of Boston
Management's Discussion and Analysis - *Continued*
June 30, 2013

Explanations for significant fluctuations noted in the above table are as follows:

Grant/Contract Income

This decrease is partially the result of a grant in fiscal year 2012 from the City of Boston to fund capital improvements at the BMIP totaling approximately \$1.3 million, but related funding of only \$318,000 in fiscal year 2013 due to less capital improvements made in this fiscal year. Additionally, three Commonwealth of Massachusetts grants funds were reduced by \$432,000 in fiscal year 2013 as compared to fiscal year 2012. These total decreases are offset somewhat by EDA grant funding in fiscal year 2013 totaling approximately \$211,000 which was funded in fiscal year 2013, with no related funding in fiscal year 2012.

Rental Income

This increase is the combined result of an increase in tenant rental income totaling approximately \$347,000, an increase in parking income totaling approximately \$55,000, and an increase in tenant reimbursements for utilities and maintenance totaling approximately \$723,000, which was primarily the result of higher water usage.

Other Income

This increase is primarily the result of the sale of a parcel of land in the BMIP which resulted in a gain on sale totaling approximately \$1.31 million.

Salaries and Fringe Benefits

This decrease is the combined result of a decrease in staffing and health care costs in fiscal year 2013 as compared to fiscal year 2012.

Grants/Contracts to Related Party and Community Based Organizations

This increase is primarily the net result of a subgrant awarded through the new EPA funding noted above totaling approximately \$211,000 and another grant awarded to the City of Boston for the Boston Bikes program totaling approximately \$110,000, both of which did not occur in fiscal year 2012.

Bad Debt Expense

This net increase is due to write-offs of a related party receivables during fiscal year 2013 in excess of fiscal year 2012 write offs totaling approximately \$676,000, and collection in fiscal year 2013 of prior year written off receivables totaling approximately \$416,000.

Interest Expense/Bank Service Costs

This decrease is the combined result of a mortgage loan being paid off during fiscal year 2012, annual interest payments on debt decreasing based on lower principal balances, refinancing the bond debt to a lower interest rate midway through in fiscal year 2012, and refinancing notes payable to a lower rate in fiscal year 2013.

Economic Development and Industrial Corporation of Boston
Management's Discussion and Analysis - Continued
June 30, 2013

Analysis of Significant Variations between Budget Amounts

The following table shows a comparison of revenues and expenses for the year ended June 30, 2013 and budgeted revenue and expenses, and the related fluctuations:

	<i>2013</i>	<i>Budget</i>	<i>Increase/ (Decrease)</i>
<i>Revenue</i>			
Grant/contract income	\$ 12,462,982	\$ 13,857,741	\$ (1,394,759)
Rental income	19,082,257	18,248,359	833,898
Contributions	1,152,052	1,420,901	(268,849)
Gain on sale of land	1,309,562	800,000	509,562
Other income	187,361	261,400	(74,039)
	<u>34,194,214</u>	<u>34,588,401</u>	<u>(394,187)</u>
<i>Expenses</i>			
Salaries and fringe benefits	12,193,353	13,492,944	(1,299,591)
Grants/contracts to related party and community based organizations	7,485,307	8,405,283	(919,976)
Security and maintenance	1,092,541	1,050,000	42,541
Professional fees	3,161,296	3,057,225	104,071
Bad debt expense	693,422	780,000	(86,578)
Depreciation	1,320,273	1,350,000	(29,727)
Supplies and services	3,745,527	3,483,000	262,527
Rental expense	421,753	420,000	1,753
Interest expense/bank service costs	411,975	800,000	(388,025)
Other expenses	64,560	-	64,560
	<u>30,590,007</u>	<u>32,838,452</u>	<u>(2,248,445)</u>
Change in net position	<u>\$ 3,604,207</u>	<u>\$ 1,749,949</u>	<u>\$ 1,854,258</u>

Explanations for significant fluctuations noted in the above table are as follows:

Grant/Contract Income

This decrease was primarily the result of new fiscal year 2013 multi-year grants starting later in the year than budgeted.

Rental Income

This increase was primarily the result of higher than budgeted tenant reimbursements for utility usage.

Economic Development and Industrial Corporation of Boston
Management's Discussion and Analysis - *Continued*
June 30, 2013

Contributions

This decrease was primarily the result of fewer contributions received for the Read and Write Boston programs that what was budgeted.

Gain on Sale of Land

This increase was the result of the proceeds from a one-time land sale exceeding a conservative budgeted amount.

Salaries and Fringe Benefits

This decrease was the result of new positions budgeted for the full year and either placed later than planned or unfilled in fiscal year 2013.

Grants/Contracts to Related Party and Community Based Organizations

This decrease was primarily the result of new fiscal year 2013 multi-year grants starting later in the year than budgeted.

Supplies and Services

This increase was primarily the result of tenant reimbursable water and sewer costs incurred at the BMIP that exceeded budgeted expectations.

Interest Expense/Bank Service Costs

This decrease is due to the interest rate refinancing on debt. Savings resulted from both a lower interest rate and reduction in debt principal.

Current Know Facts, Decisions, and Conditions

There are no currently known facts, decisions, or conditions that are expected to have a significant effect on EDIC's net position or results operations.

Request for Information

This financial report is designed to provide a general overview of EDIC's finances and to demonstrate its accountability for the money it receives to carry out both economic development activities, and fiscal agent responsibilities to the City of Boston for its Jobs and Community Services grant programs. If you have any questions about this report, contact the Secretary's Office, 9th Floor, Boston City Hall.

Economic Development and Industrial Corporation of Boston
Statements of Net Position
June 30, 2013 and 2012

Assets	2013	2012	<i>Liabilities and Net Assets</i>	2013	2012
<i>Current Assets</i>			<i>Current Liabilities</i>		
Cash and cash equivalents - unrestricted	\$ 13,551,515	\$ 10,670,741	Accounts payable	\$ 1,076,667	\$ 336,641
Cash and cash equivalents - restricted	-	455,804	Grants/contracts payable	2,622,721	1,937,657
Accounts receivable (net of allowance for doubtful accounts)	2,234,312	1,836,478	Accrued expenses	1,732,540	2,607,640
Related party receivables	-	335,821	Deferred revenue	107,523	134,894
Grants/contracts receivable	4,383,295	3,285,991	Current portion of long-term liabilities	908,231	1,133,571
Other assets	<u>420,799</u>	<u>377,316</u>	Total current liabilities	<u>6,447,682</u>	<u>6,150,403</u>
Total current assets	<u>20,589,921</u>	<u>16,962,151</u>	<i>Long-Term Liabilities</i>		
<i>Capital Assets</i>			Notes payables	437,500	480,809
Land	2,080,941	2,100,909	Mortgage payable	-	117,663
Land improvements	12,742,090	12,742,090	Bonds payable	<u>14,463,072</u>	<u>15,187,612</u>
Maritime assets	12,561,630	12,561,630	Total long-term liabilities	<u>14,900,572</u>	<u>15,786,084</u>
Buildings and improvements	38,453,939	38,453,939	<i>Other Liabilities</i>		
Machinery and equipment	1,923,300	990,552	Security deposits	<u>926,789</u>	<u>700,627</u>
Other assets	118,603	118,603	Total other liabilities	<u>926,789</u>	<u>700,627</u>
Construction in progress	2,944,214	2,907,312	Total liabilities	<u>22,275,043</u>	<u>22,637,114</u>
Less accumulated depreciation	<u>(37,862,088)</u>	<u>(36,541,814)</u>	<i>Net Position</i>		
Capital assets - net	<u>32,962,629</u>	<u>33,333,221</u>	Net investment in capital assets	17,153,826	16,869,370
<i>Other Assets</i>			Restricted for grant programs	703,526	703,526
Debt issuance costs - net	<u>71,791</u>	<u>86,833</u>	Unrestricted	<u>13,491,946</u>	<u>10,172,195</u>
Total other assets	<u>71,791</u>	<u>86,833</u>	Total net position	<u>31,349,298</u>	<u>27,745,091</u>
Total assets	<u>\$ 53,624,341</u>	<u>\$ 50,382,205</u>	Total liabilities and net position	<u>\$ 53,624,341</u>	<u>\$ 50,382,205</u>

See accompanying notes to financial statements

Economic Development and Industrial Corporation of Boston
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2013 and 2012

	2013	2012
<i>Revenues</i>		
Grant/contract income	\$12,462,982	\$ 13,667,743
Contributions	1,152,052	1,258,922
Rental income	19,082,257	17,967,547
Gain on sale of land	1,309,562	-
Interest income	4,584	16,612
Miscellaneous income	<u>182,777</u>	<u>274,223</u>
Total revenues	<u>34,194,214</u>	<u>33,185,047</u>
<i>Expenses</i>		
Salaries	8,999,304	9,295,980
Fringe benefits	3,194,049	3,284,959
Grants/contracts to related party and community based organizations	7,485,307	7,051,506
Utilities	2,931,901	2,716,551
Security and maintenance	1,092,541	1,119,471
Travel and transportation	87,081	101,679
Insurance	341,617	284,809
Professional fees	3,161,296	3,058,208
Printing	27,927	50,987
Provision for uncollectible accounts/ bad debt expense	693,422	433,346
Depreciation	1,320,273	1,235,664
Supplies	54,864	63,894
Rental expense	421,753	409,648
Telecommunications	55,923	93,205
Professional development	40,064	38,603
Data processing	84,412	82,937
Marketing	28,432	97,926
Educational supplies	93,306	130,863
Interest expense	411,975	624,276
Bank service costs	-	268
Other expense	<u>64,560</u>	<u>68,393</u>
Total expenses	<u>30,590,007</u>	<u>30,243,173</u>
Change in net position	3,604,207	2,941,874
Net position at beginning of year	<u>27,745,091</u>	<u>24,803,217</u>
Net position at end of year	<u>\$31,349,298</u>	<u>\$ 27,745,091</u>

See accompanying notes to financial statements.

Economic Development and Industrial Corporation of Boston
Statements of Cash Flows
For the Years Ended June 30, 2013 and 2012

	2013	2012
<i>Cash Flows from Operating Activities</i>		
Receipts from grants/contracts and contributions	\$ 12,490,359	\$ 14,345,097
Receipts from tenants	18,761,784	17,935,944
Receipts from land sale	1,309,562	-
Receipts from interest	4,584	16,612
Receipts from affiliates	-	88,128
Payments to employees	(9,275,309)	(9,070,049)
Payments for employee benefits	(3,162,921)	(3,292,409)
Payments to community based organizations	(6,800,243)	(6,618,706)
Payments to vendors and suppliers	(8,430,356)	(8,529,322)
Payments for interest	<u>(411,956)</u>	<u>(622,703)</u>
Net cash provided by operating activities	<u>4,485,504</u>	<u>4,252,592</u>
<i>Cash Flows from Capital and Related Financing Activities</i>		
Acquisition of capital assets	(949,682)	(2,049,376)
Principal payments on debt	<u>(1,110,852)</u>	<u>(1,701,988)</u>
Net cash used in capital and related financing activities	<u>(2,060,534)</u>	<u>(3,751,364)</u>
Net increase in cash and cash equivalents	2,424,970	501,228
Cash and cash equivalents - beginning of year	<u>11,126,545</u>	<u>10,625,317</u>
Cash and cash equivalents - end of year	<u>\$ 13,551,515</u>	<u>\$ 11,126,545</u>
<i>Reconciliation to Cash and Cash Equivalents on the Balance Sheet</i>		
	2013	2012
Cash and cash equivalents - unrestricted	\$ 13,551,515	\$ 10,670,741
Cash and cash equivalents - restricted	<u>-</u>	<u>455,804</u>
Total	<u>\$ 13,551,515</u>	<u>\$ 11,126,545</u>

See accompanying notes to financial statements.

Economic Development and Industrial Corporation of Boston
Statements of Cash Flows - *Continued*
For the Years Ended June 30, 2013 and 2012

Reconciliation of Change in Net Position to Net Cash Used in Operating Activities

	2013	2012
Change in net position	\$ 3,604,207	\$ 2,941,874
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,320,273	1,235,664
Provision for uncollectible accounts	693,422	433,346
Amortization of debt issuance costs	15,042	10,980
(Increase) in accounts receivable	(1,091,256)	(325,182)
(Increase) in grants/contracts receivable	(1,097,304)	(609,164)
(Increase) in other assets	(43,483)	(8,269)
Decrease in related party receivables	335,821	26,891
Increase/(decrease) in accounts payable	740,027	(540,354)
Increase in grants/contracts payable	685,064	432,800
Increase/(decrease) in accrued expenses	(875,100)	545,817
Increase in security deposits	226,162	80,593
Increase/(decrease) in deferred revenue	<u>(27,371)</u>	<u>27,596</u>
Net cash provided by operating activities	<u>\$ 4,485,504</u>	<u>\$ 4,252,592</u>

See accompanying notes to financial statements.

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements

June 30, 2013 and 2012

1. *Financial Reporting Entity*

Economic Development and Industrial Corporation of Boston (EDIC), a quasi-public corporation, is a component unit of the City of Boston (Boston, or the City) and an instrumentality of the Commonwealth of Massachusetts. The purpose of EDIC is to create and retain industrial companies and jobs in the Boston's neighborhoods for Boston residents, including minorities and women, through economic development, industrial real estate management, financing, and job training. EDIC is exempt from federal income taxes as a political subdivision under Section 115 of the Internal Revenue Code.

EDIC owns and operates the Boston Marine Industrial Park (BMIP), which is leased out to manufacturing, industrial and light industrial business tenants. Further, EDIC's Office of Jobs and Community Services (JCS) is a multi-service agency that receives federal, state, and city funds to run a comprehensive system of education, job training, job placement, counseling, human services, and other support services for Boston residents.

2. *Summary of Significant Accounting Policies*

Basis of Accounting

The accompanying financial statements are presented in accordance with the accrual method of accounting, as EDIC operates as a business type entity. Accordingly, revenue is recognized when earned and expenses are recorded when incurred.

Funding under cost reimbursement grants/contracts and contribution revenue are recognized as deferred revenue when received, and recorded as income when all eligibility requirements are met. Funding received for the improvement of depreciable capital assets are considered to be nonexchange transactions and are recorded as revenue when the related cost is incurred.

Pursuant to Government Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, EDIC has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that do not conflict with or contradict with GASB pronouncements.

Grants/Contracts and Accounts Receivable - Grants/contracts receivable represent amounts due from funding sources for both JCS activities at June 30, 2013 and 2012. Accounts receivable represent amounts due from tenants and related parties. Receivables are presented net of allowance for doubtful accounts. Management's periodic evaluation of the adequacy of the allowance is based on its past experience and receivables are charged off when deemed uncollectible. Allowance for doubtful accounts receivable totaled \$694,932 and \$1,136,666 at June 30, 2013 and 2012, respectively. Management has determined that all grants/contracts receivable are collectible for the years then ended; therefore, no related allowance has been recorded.

Cash and Cash Equivalents - Cash and cash equivalents consist of funds in EDIC's cash accounts and all highly liquid investments. EDIC considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2013 and 2012

2. *Summary of Significant Accounting Policies - Continued*

Debt Issuance Costs - Financing fees are being amortized using the straight-line method over the life of the respective debt instruments.

Capital Assets - Capital assets in excess of \$5,000 are recorded on the statement of net position at historical cost less accumulated depreciation. Depreciation is provided using the straight-line method over the following useful lives:

<i>Capital Asset Category</i>	<i>Life</i>
Land Improvements	5-50 Years
Maritime Assets	10-50 Years
Buildings and Improvements	10-50 Years
Machinery and Equipment	3-5 Years
Furniture and Fixtures	5 Years
Other Assets	5 Years

All real estate and tangible personal property of EDIC are deemed to be public property used for essentially public and governmental purposes and are exempt from taxation, except that the City and EDIC may determine an amount to be paid annually in lieu of taxes. No such payments were made to the City for the years ended June 30, 2013 and 2012.

Interest Cost - EDIC follows a policy of capitalizing interest as a component of construction in progress, where applicable. Interest incurred for the years ending June 30, 2013 and 2012 totaled \$411,975 and \$624,276, respectively, all of which was expensed.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Derivatives - The interest rate swap agreement attached to EDIC mortgage debt is recorded at fair value, which is the estimated amount that EDIC would receive/(pay) to terminate the agreement at the reporting date, taking into account current interest rates and other factors as determined by the financial institution.

Grants/Contracts and Accounts Payable - Grants/contracts payable represent amounts due to community based organizations for JCS activities that are funded through grants/contracts with Federal, state and other agencies. Accounts payable represent amounts due to vendors and related parties.

Planned Major Maintenance - EDIC uses the direct expensing method to account for planned major maintenance activities, under which actual costs incurred are expensed directly when maintenance is performed.

Economic Development and Industrial Corporation of Boston
Notes to Financial Statements - *Continued*
June 30, 2013 and 2012

3. ***Net Investment in Capital Assets***

Net investment in capital assets consisted of the following:

	2013	2012	Change
Cost of capital assets acquired	\$ 70,824,717	\$69,875,035	\$ (949,682)
Less accumulated depreciation	(37,862,088)	(36,541,814)	1,320,274
Less outstanding debt related to capital assets	(15,808,803)	(16,919,655)	(1,110,852)
Add restricted debt proceeds	<u>-</u>	<u>455,804</u>	<u>455,804</u>
Net investment in capital assets	<u>\$ 17,153,826</u>	<u>\$16,869,370</u>	<u>\$ (284,456)</u>

4. ***Cash and Cash Equivalents***

Cash and cash equivalents as of June 30, 2013 and 2012 consisted of the following:

<i>Description</i>	2013	2012
Federally insured (FDIC) deposits	\$ 500,000	\$ 500,025
Collateralized with Securities held by the Pledging Financial Institution's Trust Department or Agent, but not in EDIC's Name	4,344,569	4,256,359
Uncollateralized/unsecured deposits	<u>9,583,028</u>	<u>7,288,830</u>
Sub-total	14,427,597	12,045,214
Less net outstanding transactions	<u>(876,082)</u>	<u>(918,669)</u>
Total cash and cash equivalents	<u>\$13,551,515</u>	<u>\$11,126,545</u>

5. ***Concentration***

EDIC maintains its cash accounts at three financial institutions. Balances in one institution are fully insured or collateralized. The balances in the other three institutions, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor. The uninsured/unsecured balances at June 30, 2013 and 2012 totaled \$9,583,028 and \$7,288,830, respectively. EDIC has not experienced any losses in these accounts. Management acknowledges the possibility of risk in this arrangement; however, the size and longevity of the depository institutions minimizes such risk.

6. ***Contingencies***

EDIC contracts with governmental agencies and third party payors. The contracts are subject to audit by the respective funding source and could result in the recapture of revenue previously reported by EDIC. Management does not believe that any such disallowance, if found, would be material to EDIC's financial statements. Accordingly, no provision for any liability that may result has been made in the financial statements.

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2013 and 2012

7. Leasing Activities

EDIC has numerous operating leases with tenants for space at the BMIP. Rental income totaled \$11,195,936 and \$10,848,512, for the year ended June 30, 2013 and 2012, respectively, inclusive of in lieu of tax payments received from certain tenants under agreements with the City of Boston. Parking income from a garage and other spaces at the BMIP, totaling \$4,126,388 and \$4,071,097 for the years then ended, respectively, is included in rental income on the statement of revenue, expenses and changes in net position. In addition, tenant reimbursements for utilities and maintenance totaling \$3,770,886 and \$3,047,938, respectively, for the years then ended are included in rental income. Security deposits on these leases totaled \$926,789 and \$700,627 at June 30, 2013 and 2012, respectively.

Future minimum rental income on noncancelable operating leases over the next five years is as follows:

<i>Fiscal Year</i>	<i>Amount</i>
6/30/14	\$ 8,544,110
6/30/15	\$ 8,177,650
6/30/16	\$ 8,150,872
6/30/17	\$ 8,094,224
6/30/18	\$ 7,808,310

The above amounts do not include in lieu of tax payments and percentage rent for those tenants where related lease amounts are based on a percentage of gross receipts collected by the tenants from sublease agreements. In lieu of tax payments and percentage rent for such tenants totaled \$1,686,559 and \$1,967,071 for the years ended June 30, 2013 and 2012, respectively.

The cost of property held for leasing and total accumulated depreciation thereon is as follows:

	<i>2013</i>	<i>2012</i>
Land	\$ 2,080,941	\$ 2,100,909
Land improvements	12,742,090	12,742,090
Maritime assets	12,561,630	12,561,630
Buildings and improvements	<u>38,453,939</u>	<u>38,453,939</u>
Total	65,838,600	65,858,568
Less accumulated depreciation	<u>(37,062,970)</u>	<u>(35,822,172)</u>
Book value	<u>\$ 28,775,630</u>	<u>\$30,036,396</u>

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2013 and 2012

8. Capital Assets

Capital asset activity for the years ended June 30, 2013 and 2012 was as follows:

	<i>Balance at</i>			<i>Balance at</i>
	<i>June 30, 2012</i>	<i>Additions</i>	<i>Disposals</i>	<i>June 30, 2013</i>
Land	\$ 2,100,909	\$ -	\$ 19,968	\$ 2,080,941
Land improvements	12,742,090	-	-	12,742,090
Maritime assets	12,561,630	-	-	12,561,630
Buildings and improvements	38,453,939	-	-	38,453,939
Machinery and equipment	990,552	932,748	-	1,923,300
Other assets	118,603	-	-	118,603
Construction in progress	<u>2,907,312</u>	<u>36,902</u>	<u>-</u>	<u>2,944,214</u>
Totals at historical cost	<u>69,875,035</u>	<u>969,650</u>	<u>19,968</u>	<u>70,824,717</u>

Less accumulated depreciation for:

Land improvements	(9,537,439)	(152,869)	-	(9,690,308)
Maritime assets	(8,988,792)	(146,406)	-	(9,135,198)
Buildings and improvements	(17,295,941)	(941,523)	-	(18,237,464)
Machinery and equipment	(611,250)	(76,825)	-	(688,075)
Other assets	<u>(108,392)</u>	<u>(2,651)</u>	<u>-</u>	<u>(111,043)</u>

Capital assets, net **\$ 33,333,221** **\$ (350,624)** **\$ 19,968** **\$ 32,962,629**

	<i>Balance at</i>			<i>Balance at</i>
	<i>June 30, 2011</i>	<i>Additions</i>	<i>Disposals</i>	<i>June 30, 2012</i>
Land	\$ 2,100,909	\$ -	\$ -	\$ 2,100,909
Land improvements	12,142,254	599,836	-	12,742,090
Maritime assets	12,561,630	-	-	12,561,630
Buildings and improvements	38,379,072	74,867	-	38,453,939
Machinery and equipment	844,586	145,966	-	990,552
Other assets	118,603	-	-	118,603
Construction in progress	<u>1,678,605</u>	<u>1,228,707</u>	<u>-</u>	<u>2,907,312</u>
Totals at historical cost	<u>67,825,659</u>	<u>2,049,376</u>	<u>-</u>	<u>69,875,035</u>

Less accumulated depreciation for:

Land improvements	(9,384,570)	(152,869)	-	(9,537,439)
Maritime assets	(8,842,386)	(146,406)	-	(8,988,792)
Buildings and improvements	(16,439,028)	(856,913)	-	(17,295,941)
Machinery and equipment	(534,425)	(76,825)	-	(611,250)
Other assets	<u>(105,741)</u>	<u>(2,651)</u>	<u>-</u>	<u>(108,392)</u>

Capital assets, net **\$ 32,519,509** **\$ 813,712** **\$ -** **\$ 33,333,221**

Depreciation expense for the years ended June 30, 2013 and 2012 totaled \$1,320,273 and \$1,235,664, respectively.

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2013 and 2012

9. ***Mortgage Payable***

Mortgage payable consisted of the following:

	2013	2012
Citizens Bank - mortgage note due in December, 2013 at a variable interest rate based on 1.5% above the one-month London Interbank Offer Rate (LIBOR), which was 1.69% and 1.74% at June 30, 2013 and 2012, respectively.	\$ 117,663	\$ 500,775
Less current portion	<u>(117,663)</u>	<u>(383,112)</u>
Total long-term portion	<u>\$ -</u>	<u>\$ 117,663</u>

The Citizens Bank note is secured by a mortgage on 23-25 Drydock Ave. EDIC entered into an interest rate swap agreement with Citizens Bank to limit the effect of increases in interest rates on its mortgage note payable. The notional principal amount of the swap agreement is \$2,970,000. The effect of the agreement is to limit the interest rate expense to 4.49% on the original \$2,970,000 principal through the term of the swap agreement, which expires on December 19, 2013. EDIC holds the interest rate swap agreement for the purpose of hedging the risk of the variability of cash flow caused by the movement of the interest rate on its note payable, and not for speculation purposes.

The fair value of the swap agreement is a liability of \$2,444 and \$19,161 at June 30, 2013 and 2012, respectively. The change in the fair value of the swap agreement was a gain of \$16,717 and \$29,223 for the years ended June 30, 2013 and 2012, respectively, which is recorded in the statements of revenue, expenses, and changes in net position as a component of the change in net position.

Maturities of principal and interest total \$117,663 and \$930, respectively, for the year ended June 30, 2014.

10. ***Notes Payable***

Notes payable consisted of the following:

	2013	2012
US Housing and Urban Development (HUD) Section 108 loan due in March, 2015, bearing an interest rate of 1% at June 30, 2013 and 2012.	\$ 503,309	\$ 524,559
Less current portion	<u>(65,809)</u>	<u>(43,750)</u>
Total long-term portion	<u>\$ 437,500</u>	<u>\$ 480,809</u>

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2013 and 2012

10. *Notes Payable - Continued*

The HUD note was issued through the City of Boston's Department of Neighborhood Development for the purpose of renovating Building No. 54 of the BMIP in order to become the permanent home for an EDIC tenant. The loan will be paid back through rent received from the tenant, and is secured by a mortgage on the property.

Maturities of principal and interest are as follows:

<i>For the Year(s) Ended</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
6/30/2014	\$ 65,809	\$ 4,336	\$ 79,082
6/30/2015	<u>437,500</u>	<u>5,025</u>	<u>466,033</u>
Total	<u>\$ 503,309</u>	<u>\$ 9,361</u>	<u>\$545,115</u>

11. *Bonds Payable*

Bonds payable consisted of the following:

2013 2012

Public Parking Facility Bond, 2010 Series

Issued for construction additions and refinancing of the existing parking garage in the BMIP, and additional mortgage refinancing in June 2010. The term bond's initial interest rate was 4.5% per annum for a period of ten years. The bond was refinanced in December 2011 to a fixed interest rate of 2.49%. This fixed rate will be readjusted after a subsequent ten year period based on the Federal Home Loan Bank plus 1.02%. The bond matures on July 21, 2030.

	\$15,187,831	\$15,894,321
Less current portion	<u>(724,759)</u>	<u>(706,709)</u>
Total long-term portion	<u>\$14,463,072</u>	<u>\$15,187,612</u>

The Public Parking Facility Bond Series 2010 was issued in June, 2010 and is secured by all income and receipts of the parking garage. Debt service payments are deposited into a Bond Fund account held by the Trustee, Peoples United Bank, and the Trustee makes the bond payments from this account. This fund also holds bond proceeds that are restricted to pay the first three year's interest on the debt, classified as restricted cash and cash equivalents on the statement of net position at June 30, 2012.

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2013 and 2012

11. **Bonds Payable - Continued**

Maturities of principal and interest are as follows:

<i>For the Year(s) Ended</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
6/30/2014	\$ 724,759	\$ 375,098	\$ 1,099,857
6/30/2015	743,269	356,587	1,099,856
6/30/2016	761,332	338,524	1,099,856
6/30/2017	781,696	318,160	1,099,856
6/30/2018	801,661	298,195	1,099,856
6/30/19 - 6/30/23	4,325,332	1,173,951	5,499,283
6/30/24 - 6/30/28	4,906,702	592,581	5,499,283
6/30/29 - 6/30/33	<u>2,143,080</u>	<u>56,851</u>	<u>2,199,931</u>
Total	<u>\$15,187,831</u>	<u>\$3,509,947</u>	<u>\$18,697,778</u>

12. **Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2013 was as follows:

	<i>Balance at</i>			<i>Balance at</i>	<i>Amounts</i>
	<i>June 30, 2012</i>	<i>Additions</i>	<i>Reductions</i>	<i>June 30, 2013</i>	<i>Due Within</i>
					<i>One Year</i>
Notes	\$ 524,559	\$ -	\$ (21,250)	\$ 503,309	\$ 65,809
Mortgages	500,775	-	(383,112)	117,663	117,663
Bonds	<u>15,894,321</u>	<u>-</u>	<u>(706,490)</u>	<u>15,187,831</u>	<u>724,759</u>
Total	<u>\$ 16,919,655</u>	<u>\$ -</u>	<u>\$ (1,110,852)</u>	<u>\$ 15,808,803</u>	<u>\$ 908,231</u>

Long-term liability activity for the year ended June 30, 2012 was as follows:

	<i>Balance at</i>			<i>Balance at</i>	<i>Amounts</i>
	<i>June 30, 2011</i>	<i>Additions</i>	<i>Reductions</i>	<i>June 30, 2012</i>	<i>Due Within</i>
					<i>One Year</i>
Notes	\$ 554,559	\$ -	\$ (30,000)	\$ 524,559	\$ 43,750
Mortgages	1,034,586	-	(533,811)	500,775	383,112
Bonds	<u>17,032,498</u>	<u>-</u>	<u>(1,138,177)</u>	<u>15,894,321</u>	<u>706,709</u>
Total	<u>\$ 18,621,643</u>	<u>\$ -</u>	<u>\$ (1,701,988)</u>	<u>\$ 16,919,655</u>	<u>\$ 1,133,571</u>

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2013 and 2012

13. ***Lease Commitments***

EDIC has entered into a five year operating lease agreement for office space used for JCS programs that expires on December 31, 2017. EDIC is also responsible for additional rent for increases in real estate tax and building operating expenses over the base years of the leases. In addition, EDIC has several operating leases for office equipment that expire on various dates within fiscal years 2014 and 2015. Rental expense on operating leases totaled \$421,753 and \$409,648 for the years ended June 30, 2013 and 2012, respectively.

Future minimum payments for these lease commitments are as follows:

<i>Fiscal Year</i>	<i>Amount</i>
6/30/14	\$ 201,704
6/30/15	195,508
6/30/16	190,000
6/30/17	190,000
6/30/18	<u>95,000</u>
Total	<u>\$ 872,212</u>

14. ***Fair Value of Financial Instruments***

The carrying amount of cash and cash equivalents approximates fair value because of the short maturity of those financial instruments. The carrying value of accounts and related party receivables, grants/contracts receivable and long-term receivables approximate fair value.

The carrying amounts of accounts payable, grants/contracts payable and accrued expenses approximate fair value. The carrying amounts of notes and mortgage payable approximates fair value because those financial instruments bear interest at variable rates that approximate current market rates for notes of similar maturities and credit quality. The carrying amount of bonds payable is based on the current traded value.

15. ***Related Party Transactions***

Affiliated Nonprofit Organizations

Boston Local Development Corporation (BLDC) is a nonprofit corporation, established to provide long-term, low interest financing to firms and companies located in the City of Boston, Massachusetts in order to maintain and expand employment opportunities. Friends of Youth Opportunity Boston, Inc. (FYOB) is a nonprofit organization created to support the activities of Youth Opportunity Boston, a JCS program. Boston Industrial Development Financing Authority (BIDFA) was established as an industrial development financing authority, pursuant to Massachusetts General Laws Chapter 40D, acting by and on behalf of the City of Boston (the City) as its instrumentality. EDIC acts as fiscal agent for these entities.

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2013 and 2012

15. *Related Party Transactions - Continued*

BLDC, FYOB, and BIDFA employees are paid through EDIC's payroll system and are covered under EDIC's fringe benefit policies. Related party transactions concerning these agencies are summarized as follows:

	<i>Payroll and Fringe</i>		<i>EDIC</i>	
	<i>Benefits</i>		<i>Receivable/(Payable)</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
BLDC	\$ 237,245	\$ 261,133	\$ -	\$ -
FYOB	\$ 20,317	\$ 98,410	\$ (171,896)	\$ (194,698)
BIDFA	\$ 265,515	\$ 66,788	\$ -	\$ -

EDIC has written off accounts receivable from BLDC totaling \$252,565 and \$271,256 for the years ended June 30, 2013 and June 30, 2012, respectively. EDIC has also written off accounts receivable from BIDFA totaling \$197,602 and \$54,940, respectively, for the year ended June 30, 2012.

The amount payable to FYOB is included in grants/contracts payable on the 2013 and 2012 statement of net position.

The City of Boston

The City of Boston's Property Management Department provided security services to EDIC, totaling \$635,312 and \$626,309 for the years ended June 30, 2013 and 2012, respectively. Amounts payable to the City of Boston at June 30, 2013 and 2012 for these services totaled \$362,111 and \$174,070, respectively.

EDIC received grants totaling and \$318,428 and \$1,315,375 from the City of Boston for the years ended June 30, 2013 and 2012, respectively, for reimbursement of a portion of capital improvement activity at the BMIP. Amounts receivable from the City of Boston at June 30, 2013 and June 30, 2012 for this activity totaled \$19,481 and \$30,977, respectively.

EDIC has provided a grant to the City of Boston's Bike Program totaling \$110,000 for the year ended June 30, 2013.

Boston Redevelopment Authority

Commonwealth of Massachusetts legislation Chapter 341 named the Boston Redevelopment Authority (BRA) Board of Directors as the sole members of EDIC's Board of Directors. However, under the terms of the Chapter 341, actions taken by the BRA Board of Directors on behalf of BRA are not binding on EDIC and actions taken by the EDIC Board of Directors on behalf of EDIC are not binding on BRA.

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2013 and 2012

15. *Related Party Transactions - Continued*

The costs of BRA employees working on EDIC projects and/or JCS grants were billed to EDIC for the years ended June 30, 2013 and 2012 totaling \$28,399 and \$29,342, respectively. The cost of EDIC employees working on BRA projects were billed to BRA during the years then ended totaling \$119,660 and \$140,718, respectively. Further, EDIC paid other operating costs for the benefit of BRA and subsequently billed BRA for these costs during the years then ended totaling \$145,395 and \$205,230, respectively.

EDIC has a net receivable from BRA for these transactions totaling \$314,890 at June 30, 2012. At June 30, 2013, EDIC has written off a receivable from BRA for these transactions totaling \$551,546, recorded as bad debt expense on the statement of revenues, expenses and changes in net position for the year then ended.

16. *Revolving Loan Fund*

EDIC received a grant from the U.S. Environmental Protection Agency (EPA) in fiscal year 2011 to establish a revolving loan fund (RLF) that provides funding for cleanup of contaminated Brownsfield properties in the City of Boston. An intercompany loan to EDIC's Economic Development Division totaling \$703,526 was made from the RLF to fund the cleanup and remediate the vacant building located at 6 Tide Street within the BMIP, which was completed as of June 30, 2011.

The intercompany loan is noninterest bearing and will be paid to the RLF in a lump sum at the end of a five year period. EDIC anticipates that it will use the RLF to fund other qualified Brownsfield properties during the life of the fund. Funding for the RLF has been classified as net position restricted for grant purposes on the statement of net position.

17. *Retirement Plans*

All regular employees of EDIC are eligible to participate in a Thrift Savings Plan (the Plan) after three months of service. The Plan is a defined contribution plan and an eligible tax-deferred plan under Internal Revenue Service (IRS) Code Sections 457 and 401(a). The Plan is serviced by The Great-West Life Assurance Company. Participants can contribute one percent (1%) to twenty-five percent (25%) of their taxable compensation on a pre-tax basis, subject to the maximum deferral limits as set by the Internal Revenue Service. EDIC will match the first six percent (6%) of compensation that is contributed by the participant. Participants can also contribute one percent (1%) to fifteen (15%) of their total compensation on an after-tax basis, also subject to a maximum deferral limit, which is inclusive of EDIC's match amount.

All regular non-union employees of EDIC are also eligible for per diem contributions made to a defined contribution plan, tax deferred under Section 401(a) on the IRS Code. The per diem amount of \$12.60 is paid by EDIC for all paid days of work, including vacation days, holidays, paid sick days, and paid personal days. Participants of this plan, as well as the Thrift Saving Plan, are sixty percent (60%) vested after one year of service, and one hundred percent (100%) vested after two years of service.

Economic Development and Industrial Corporation of Boston

Notes to Financial Statements - *Continued*

June 30, 2013 and 2012

18. *Retirement Plans - Continued*

EDIC also contributes to the I.A.M. Pension Fund National Pension Plan on behalf of their custodial and maintenance workers based on a collective bargaining agreement with the related union. The contribution is calculated at \$12.40 per day per eligible employee.

Retirement plan expense for the years ending June 30, 2013 and 2012 was approximately \$858,000 and \$843,000, respectively. Employee contributions to the above plans for the years then ended totaled approximately \$644,000 and \$662,000, respectively.

19. *Subsequent Events*

EDIC has evaluated subsequent events through November 13, 2013, which is the date the financial statements were issued. There are no recognized subsequent events that provide additional evidence about conditions that existed at the statement of financial position date, or non-recognized subsequent events or events that provide evidence about conditions that did not exist at the statement of financial position date, but would be necessary to disclose to keep the financial statements from being misleading.

**COMBINING SCHEDULE OF
REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013**

Economic Development and Industrial Corporation of Boston
Combining Schedule of Revenues and Expenses
For the Year Ended June 30, 2013

	<i>EDIC</i> <i>Operations</i>	<i>JCS</i> <i>Operations</i>	<i>Total</i>
<i>Revenues</i>			
Grant/contract income	\$ 529,723	\$ 11,933,259	\$ 12,462,982
Contributions	-	1,152,052	1,152,052
Rental income	19,082,257	-	19,082,257
Gain on sale of land	1,309,562	-	1,309,562
Interest income	4,584	-	4,584
Miscellaneous income	162,460	20,317	182,777
	<u>21,088,586</u>	<u>13,105,628</u>	<u>34,194,214</u>
<i>Expenses</i>			
Salaries	4,770,551	4,228,753	8,999,304
Fringe benefits	1,699,876	1,494,173	3,194,049
Grants/contracts to related party and community based organizations	321,295	7,164,012	7,485,307
Utilities	2,925,288	6,613	2,931,901
Security and maintenance	1,062,910	29,631	1,092,541
Travel and transportation	50,717	36,364	87,081
Insurance	339,905	1,712	341,617
Professional fees	1,319,746	1,841,550	3,161,296
Printing	15,505	12,422	27,927
Provision for uncollectible accounts/bad debt expense	693,422	-	693,422
Depreciation	1,320,273	-	1,320,273
Supplies	27,654	27,210	54,864
Rental expense	12,955	408,798	421,753
Telecommunications	37,290	18,633	55,923
Professional development	2,577	37,487	40,064
Data processing	63,600	20,812	84,412
Marketing	27,100	1,332	28,432
Educational supplies	-	93,306	93,306
Interest expense	411,975	-	411,975
Other expense	42,248	22,312	64,560
	<u>15,144,887</u>	<u>15,445,120</u>	<u>30,590,007</u>
Change in net position	<u>\$ 5,943,699</u>	<u>\$ (2,339,492)</u>	<u>\$ 3,604,207</u>